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Illinois Inbound Investment Study

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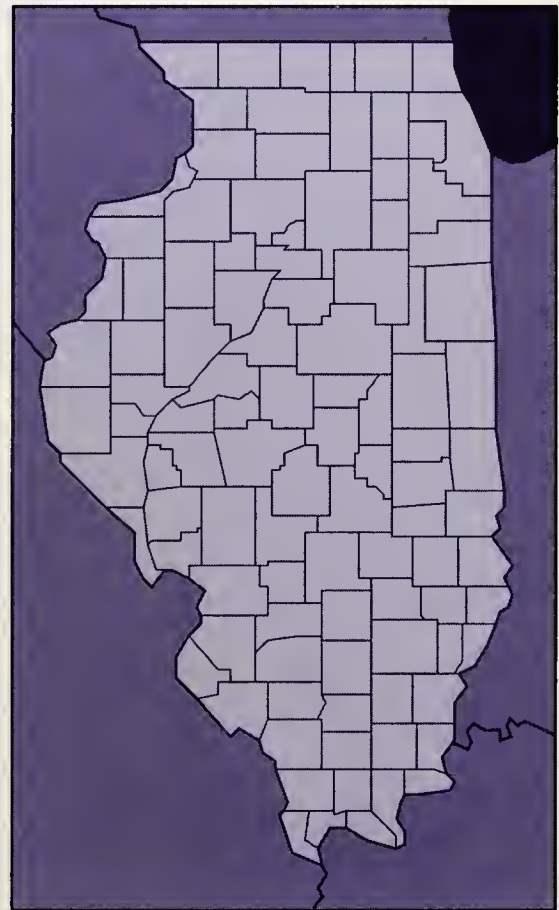
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To Our Readers
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February 1992

KPMG Peat Marwick is pleased to present the results of the *1992 Illinois Inbound Investment Study*. This is the first study that focuses on foreign-owned companies with U.S. headquarters in Illinois. The study was a coordinated effort between KPMG and the State of Illinois with the office of Governor Jim Edgar. KPMG identified 617 Illinois-based companies that met the study criteria; 361 of them agreed to in-depth interviews.

By examining the characteristics of these companies, we gained insight to, and appreciation for, the contribution they make to the State's economy. Illinois is a trading hub for international business. It is the heartland of America with a combination of air, water, and rail transportation systems second to none. It is little wonder that there are so many international businesses in Illinois. But, from where do these companies come? What do they do? Whom do they employ? What impact do they have on Illinois? The study results will be particularly useful for those in business and government who wish to understand the needs and activities of the international business community in Illinois.

We wish to extend our sincere appreciation to all study participants for enabling us to accumulate these statistics and findings. We are pleased with the cooperation accorded

by our colleagues in business, government, and local organizations. They welcome this study as a significant body of knowledge highlighting the opportunities and challenges related to international business expansion. We hope to expand the information base in the future as international business in Illinois continues to develop.

KPMG is an organization of global reach and resources, dedicated to superior quality service. As international accountants, tax advisors, and management consultants, we understand the unique challenges faced by international business. Today, most companies are operating in a global economy through investments, trading, or competition. This study is an example of our commitment to Illinois and its multinational business community. We hope that it will be of value to you, and we welcome your comments.

KPMG Peat Marwick



K. Dane Brooksher
Managing Partner, Chicago

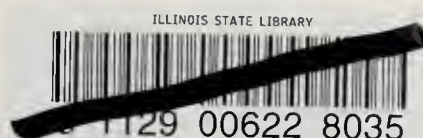


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Introduction

As the world's largest economy with one of the most favorable investment climates, the United States has been, and continues to be, an attractive location for international businesses looking to expand. The amount of foreign direct investment (inbound investment) in the United States and in Illinois continues to grow. Many multinational firms have chosen to locate operations in Illinois. The *1992 Illinois Inbound Investment Study* examines trends and characteristics of 361 companies, as well as the concerns of their management. KPMG has been conducting similar studies throughout the United States for the past eight years. This is the first of its kind in scope and magnitude that explores the economic impact of inbound investment in Illinois.

Growth of Inbound Investment in the United States

The U.S. government's policy has traditionally fostered a favorable climate for foreign investment and has promoted a philosophy that encourages the free international flow of capital.

Offshore ownership of U.S. assets expanded rapidly during the 1980s, especially between 1985 and 1989. The U.S. Department of Commerce attributes this increase to the success of American corporate restructuring, continued economic growth, and the depreciation of the dollar, which made acquisitions and investments more attractive (Source: *Foreign Direct Investment in the United States*, Congressional Research Service Issue Brief, June 1991).

According to the U.S. Department of Commerce Bureau of Economic Analysis, the rate of investment growth slowed considerably beginning in 1989. Between 1988 and 1989 there was a 19% increase (\$59 billion) compared with an 8% increase (\$30 billion) between 1989 and 1990.

This slowing trend can be attributed to several factors. A weaker U.S. economy contributed to declining profits and lower capital rates of return. Sluggish economic conditions in other industrialized countries and tight lending policies of most domestic and many international banks have reduced the availability of funds for investment. In some countries, however, particularly in Europe, the demand for capital has been strong. The increasing economic integration within the European Community and the unification of Germany, along with the U.S. economic slowdown, may have shifted investors' attention toward Europe.

Figure 1
Cumulative Foreign Direct Investment in the U.S.
(\$ Billions)

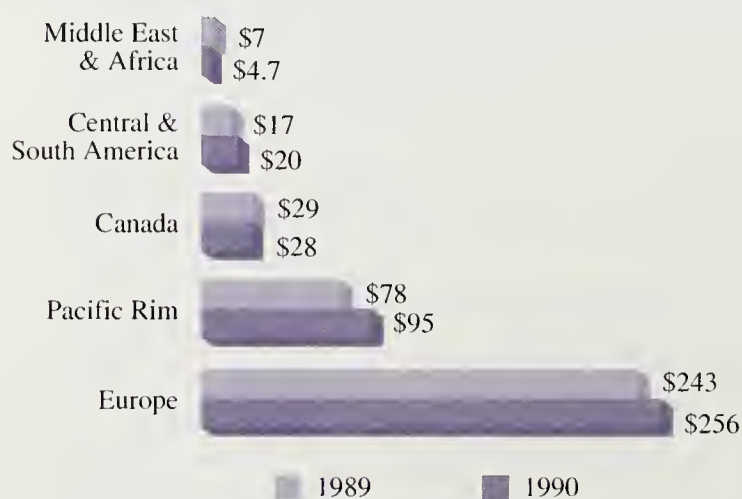


Source: *Survey of Current Business*, June 1991
U.S. Department of Commerce

In 1989 and 1990, Europe had the largest share of foreign direct investment in the United States. By the end of 1990, 50% of total inbound investment was represented by three European countries: the United Kingdom (\$108 billion), The Netherlands (\$64 billion), and Germany (\$28 billion). Japan's share was 21% of the total invested (\$83 billion).

Canada (\$28 billion) accounted for the largest portion of the remainder. These five countries have made significant investments in Illinois and comprise two-thirds of the participants in the study.

Figure 2
Total Foreign Direct Investment in the U.S. at the
End of 1989 and 1990
(\$ Billions)



Source: *Survey of Current Business*, June 1991
 U.S. Department of Commerce

Inbound Investment in Illinois—The Study

Foreign-owned businesses provide an important stimulus to the Illinois economy. They have an impact on employment, provide technology transfer, purchase goods and services, lease space, build plants and facilities, and pay taxes.

The study focuses on only those foreign-owned companies with U.S. headquarters located in Illinois, due to their degree of influence over operating decisions, strategic planning, and future investment in the United States. In addition, a headquarter operation often serves as the principal link between the foreign parent and the U.S. marketplace.

To identify participants for the study, many resources were contacted, including economic development organizations, chambers of commerce, foreign embassies and consulates, state and local government agencies, and foreign trade associations. Numerous published sources were also used.

Even though the study attempts to include all foreign-owned Illinois headquarters, new companies are often difficult to identify and may be omitted from directories and other published sources, particularly in their first year of operation. In addition, U.S. real estate investments by foreign entities are often made through partnerships, which are not readily identifiable using conventional research methods.

From these sources, KPMG professionals identified and contacted 617 headquarters of foreign-owned companies in Illinois by applying the following criteria:

- Foreign-owned companies are defined as those at least 50% owned by a foreign entity.
- Illinois headquarters are defined as offices that either direct U.S. operations or report directly to management in their home countries.

Of the 617 headquarters, 361 agreed to participate in the study. In most cases, the information presented here was obtained by interviewing chief executive officers and/or principal financial officers of these companies. Each interview consisted of up to 29 questions covering a broad range of management and operating issues. However, not all questions were answered by every participant. Individual responses were gathered—and will be maintained—in confidence. Interviews were conducted during the fourth quarter of 1991 and reflect actual data through the participating company's most recent fiscal year.

Companies represented in the study are from three major regions: Europe, Pacific Rim, and the Americas. Based on the number of headquarters identified by region and country, we believe the study group is representative of the distribution of all foreign-owned headquarter companies in Illinois, as indicated in Figure 3.

A wide range of business types is represented in the study group: sales and distribution; manufacturing of machinery and parts, electrical and electronic equipment, fabricated metal, food, and chemicals; and service providers.

Figure 3
Number of Foreign-owned Companies with Headquarters in Illinois and Study Participants by Country

Country	Foreign-owned Companies with U.S. Headquarters in Illinois*	Study Participants
Europe	336	200
Austria	3	2
Belgium	8	5
Denmark	10	7
Finland	11	7
France	38	17
Germany	86	41
Ireland	1	1
Italy	18	7
The Netherlands	25	11
Spain	4	3
Sweden	28	22
Switzerland	36	30
United Kingdom	68	47
Pacific Rim	245	148
Australia	11	6
China	4	1
Hong Kong	5	5
Japan	213	132
Korea	12	4
Americas	36	13
Brazil	1	1
Canada	34	12
Mexico	1	0
Total	617	361

* Identified by the KPMG study.

1992 Study Highlights

The study is the first of its kind and magnitude that examines foreign investment in Illinois.

- The study participants were grouped by geographic region: Europe, Pacific Rim, and the Americas. **European companies represent 55% of the participating companies, 41% are owned by Pacific Rim companies, and 4% are owned by companies located in the Americas.**
- **More than 80% of the study participants are represented by seven countries:** Japan (132), the United Kingdom (47), Germany (41), Switzerland (30), Sweden (22), France (17), and Canada (12).
- **European firms employ 61% of the workforce studied,** whereas Pacific Rim companies (including Japan) employ 27%, and companies from the Americas employ the remainder. **Although Japan is the single largest employer (26%), the study shows that the U.K. share is almost the same (24%) and Canada is also a significant employer (12%).**
- According to the U.S. Department of Commerce, **affiliates of foreign-owned companies employ more than 200,000,** with 50% of those jobs in manufacturing. This study indicates a similar employment relationship with **52% employed in manufacturing/assembly operations, 25% in product sales and distribution, and 23% in the service sector.**
- More than half of the companies studied are managed by a foreign national executive. However, **foreign nationals comprise only 2.4% of all employees in the study.**
- While foreign acquisitions in the United States have made headlines, **68% of the headquarters established themselves in Illinois as start-up operations.**
- Even though the number of foreign-owned companies in Illinois doubled in the last 10 years, the rate of increase is slowing with only three new companies identified in 1991. However, it is often difficult to identify new companies within the first year of their operation. **Companies that are already established have a positive long-term outlook.**
- Total capital invested as reported by 186 respondents exceeds \$1.9 billion with **growth of 15% anticipated for 1992.** Some type of expansion of U.S. operations was reported by 46% of the respondents. These companies indicate they plan to expand their physical plant, add employees, or add new products. **Nineteen percent (70) companies are considering acquisitions of other U.S. companies.**

European Companies—Study Profile

- 200 companies
- 30,417 employees
- 71% led by a U.S. executive
- 1.2% of all employees are foreign nationals
- 64% established as start-ups
- 15% have sales in excess of \$100 million
- 46% are sales and distribution operations
- \$626 million invested in capital to date, as reported by 122 participants
- \$175 million estimated capital investment for current fiscal year, as reported by 81 participants
- 25% have acquisition interests

Pacific Rim Companies—Study Profile

- 148 companies
- 13,271 employees
- 18% are led by a U.S. executive
- 5.4% of employees are foreign nationals
- 78% established as start-ups
- 11% have sales in excess of \$100 million
- 54% are sales and distribution operations
- \$1.02 billion invested in capital to date, as reported by 59 participants
- \$109 million estimated capital investment for current fiscal year, as reported by 41 participants
- 9% have acquisition interests

- Expanding market coverage and growing revenues were dominant reasons for acquiring other operations.
- Of the 617 headquarters, **90% are located in the City of Chicago, suburban Cook County, and the surrounding counties, Du Page, Kane, Lake, McHenry, and Will.** Cook County is home to 58% of the identified headquarters, with 13% in the City of Chicago and the remaining 45% primarily in northwest suburbs such as Elk Grove Village, Schaumburg, and Arlington Heights. The remaining headquarters are concentrated in the Rockford, suburban St. Louis, and Bloomington/Normal areas of Illinois.
- **Proximity to key industries or markets and availability of air transportation** were the primary factors mentioned for location in Illinois.
- **Performance expectations were either met or surpassed by 52% of the companies.**

- Total 1991 estimated sales exceed \$23 billion for the 296 companies that responded to the question. **Based on sales reported, 87% of the study group are small to middle market companies** with \$100 million or less in sales.
- Concerns of a national, local, and personal nature were expressed by many participants. Their **primary concern is the state of the U.S. economy.** The strength of the dollar, exchange rates, and interest rates are also catching their attention. Dominant local issues are labor quality, education of employees, and the tax system.

Americas Companies—Study Profile

- 13 companies
- 6,215 employees
- All are led by U.S. executives
- 1.5% of employees are foreign nationals
- 83% established by acquisition
- 18% have sales in excess of \$100 million
- 31% are manufacturing operations and 31% are service
- \$271 million invested in capital to date, as reported by 5 participants
- \$10 million estimated capital investment for current fiscal year, as reported by 8 participants
- 46% have acquisition interests

All results were based on responses from in-depth interviews with 361 participating companies. Note: every participant did not respond to every question.

Study Group Profile

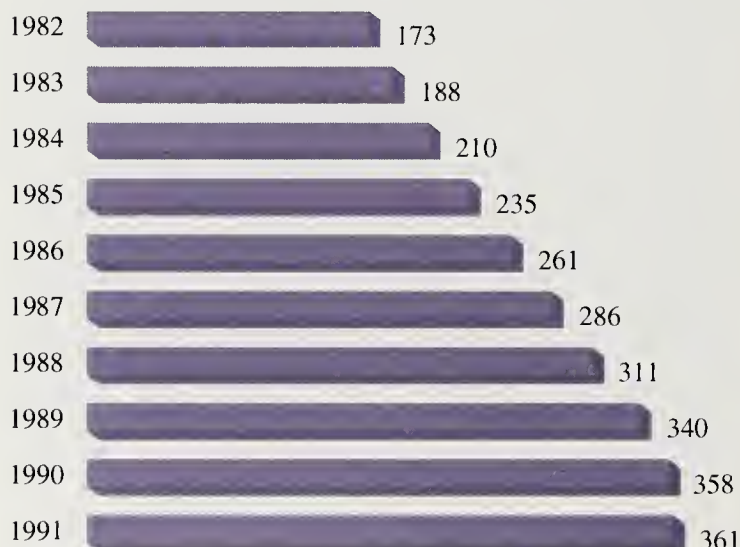
The 1992 Illinois Inbound Investment Study identifies the characteristics of participants according to:

- Growth of market,
- Methods of establishment in Illinois,
- Regions and countries of origin,
- Type of operation, and
- Capital invested.

Growth of Market

During the 1980s, the growth in the number of foreign-owned companies headquartered in Illinois burgeoned with an annual growth rate ranging from 9% to 14% per year. Among our study participants, many have been established in the State since the mid-1970s; however, 35% of the companies were established since 1985 and approximately 5% during 1990.

Figure 4
Growth of Foreign-owned Headquarters in Illinois
(Cumulative Number of Study Participants)

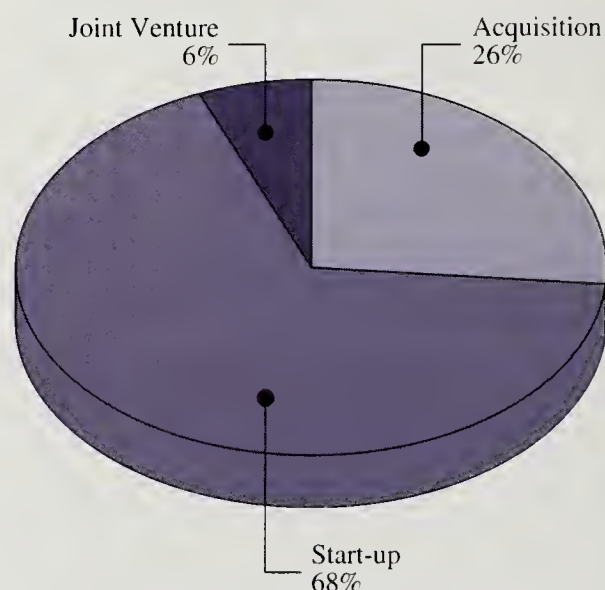


Since 1989, the growth rate has slowed. Because it is often difficult to identify new companies in the first year of operation, the study identified only three new headquarters that were established in Illinois in 1991, while 18 were identified for 1990 and 29 for 1989. During 1990 and 1991, the new headquarters were established by companies from Canada (1), Denmark (1), France (2), Germany (2), Italy (2), Japan (5), Korea (2), The Netherlands (1), Sweden (2), Switzerland (2), and the United Kingdom (1).

Methods of Establishment in Illinois

The majority of respondents (68%) say they were established as start-up operations, 26% through the acquisition of existing businesses, and 6% through joint ventures.

Figure 5
Methods of Establishment

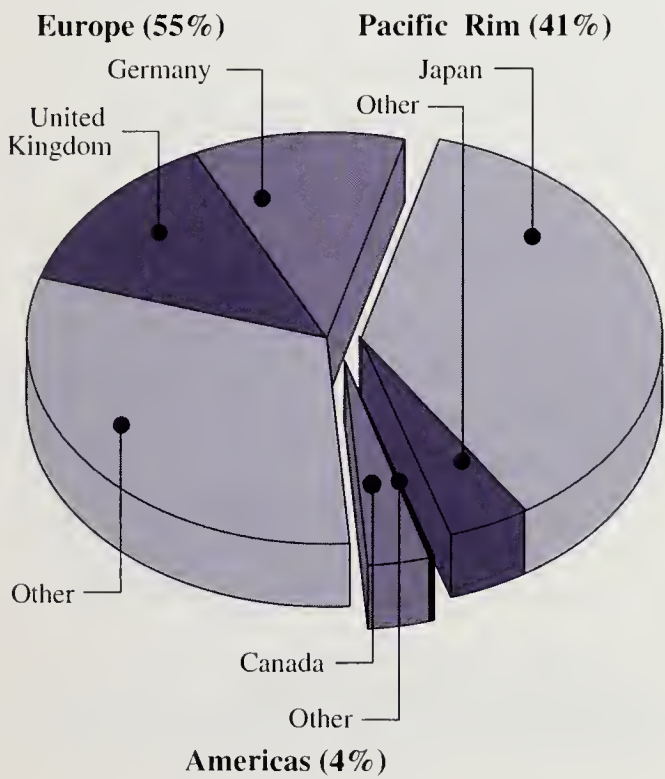


Regions and Countries of Origin

The study participants represent 20 countries, including 200 companies from Europe, 148 from the Pacific Rim, and 13 from the Americas. Seven countries with the most significant representation account for more than 80% of the study

participants: Japan (132), the United Kingdom (47), Germany (41), Switzerland (30), Sweden (22), France (17), and Canada (12).

Figure 6
Ownership by Region



Type of Operation

Headquarters of companies that participated in the study are classified as either manufacturing/assembly or non-manufacturing operations. Non-manufacturing operations include:

- Product sales or marketing operation with or without warehouse and distribution capabilities, and
- Operations that sell or provide services.

Even though many study participants are involved in both manufacturing and non-manufacturing, companies are classified in this study by their primary operation.

Approximately 49% of study participants conduct business through sales and distribution operations, 33% have manufacturing/assembly operations, and 18% provide services.

Figure 7
Companies by Type of Operation

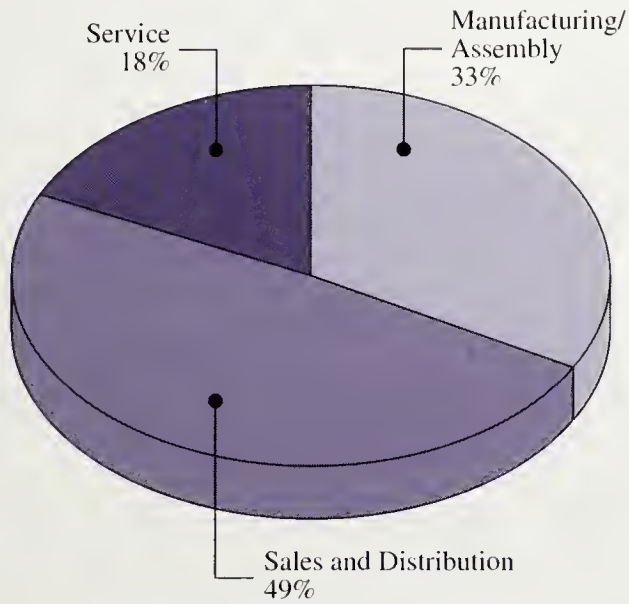


Figure 8
Number of Companies by Type of Operation and Region and Country

	Manufacturing	Sales and Distribution	Service
Europe	77	92	31
France	5	10	2
Germany	22	17	2
Sweden	12	7	3
Switzerland	8	15	7
United Kingdom	21	19	7
Other	9	24	10
Pacific Rim	39	80	29
Japan	37	72	23
Other	2	8	6
Americas	4	5	4
Total	120	177	64

Among European firms, 46% are in sales and distribution and 39% in manufacturing. Of the Pacific Rim firms, 54% are involved in sales and distribution and 26% in manufacturing. Japan has more manufacturing operations than any other country represented in the study; however, 55% of Japanese companies are in sales and distribution. On the European side, Germany, the United Kingdom, and Sweden are the predominant manufacturers.

Figure 9
Summary of Top Service and Non-Service Companies in Illinois by Industry

	Headquarters
Service Classification	64
Business services	12
Transportation services	7
Engineering, accounting, research, management	7
Real estate services	5
Miscellaneous services	4
Railroad transportation	3
Other	26
Non-durable Goods Classification	62
Food and kindred products	22
Rubber/misc. plastic products	12
Paper and allied products	8
Chemical and allied products	8
Printing and publishing products	5
Petroleum and coal products	3
Other	4
Durable Goods Classification	235
Machinery, parts, and tools	100
Electrical and electronic equipment	39
Fabricated metal products	24
Transportation equipment	22
Instruments and measuring devices	22
Primary metal industries	11
Other	17
Total of All Classifications	361

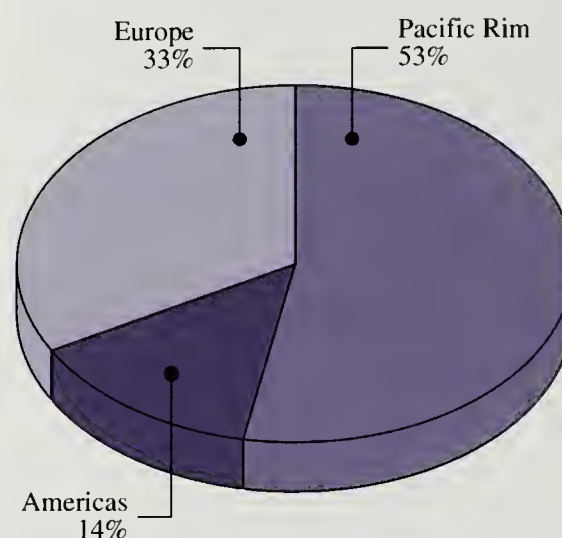
Manufacturing companies and sales and distribution companies were segmented according to durable or non-durable goods. Manufacturing and sales and distribution of durable goods account for 65% of foreign-owned operations. Machinery, parts, and tools account for the largest segment at nearly 28% of the total.

Capital Invested in Property, Plant, and Equipment

The study asked management to report the amount of capital invested in property, plant, and equipment (net of depreciation) in Illinois to date. The information was requested as of the end of the participant's most recent fiscal year.

From the 186 companies that responded to this question, capital investment exceeded \$1.9 billion. European companies represent 33% of capital invested and Pacific Rim companies represent 53%. Companies from the Americas accounted for 14% of the total invested. Those companies reporting investments greater than \$100 million are from Japan, Switzerland, the United Kingdom, and Canada.

Figure 10
Capital Invested by Region

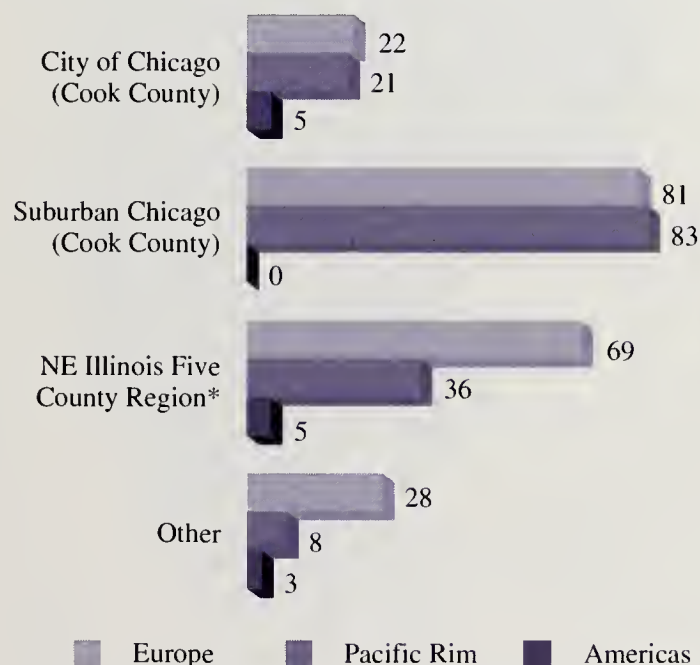


Location

The study looks at the decision-making process used to determine location of operation. Specific information was obtained by examining the location factors and sources of assistance.

Almost 90% of the study participants are located in the City of Chicago, suburban Cook County, and the surrounding counties of Du Page, Kane, Lake, McHenry, and Will. The remaining companies in the study are headquartered primarily in the Rockford, suburban St. Louis, and Bloomington/Normal areas. Within Cook County, 48 headquarters are located in the City of Chicago and 164 are located outside of the City with the majority near O'Hare International Airport.

Figure 11
Number of Companies by Location and Region



*Includes Du Page, Kane, Lake, McHenry, and Will counties.

Location Factors and Sources of Assistance

Study participants often gave a combination of reasons for selecting Illinois. Proximity to key industries or markets and access to air transportation were the two most frequently mentioned location factors.

Figure 12
Location Factors

	Number of Responses
Proximity to key industries/markets	149
Air transportation	99
Distribution advantages	48
Personal preference/executive in place	47
Acquisition/joint venture opportunity	45
International business environment	23
Other	141
Total	552

Study participants were asked to identify which state, local, or private organization they consulted first when planning their U.S. entry. Professional services (accounting, banking, and law) firms and chambers of commerce provide much of the assistance. The Illinois Department of Commerce and Community Affairs (DCCA) also lends location assistance for both inbound and outbound investment.

Figure 13
Sources of Location Assistance Mentioned First

	Number of Responses
Accounting firms, banks, or law firms	92
Chambers of commerce (foreign and domestic)	31
Foreign trade offices or foreign consulates	21
State economic development agency	17
Location consultant or real estate broker	16
Contacts in local industry or affiliated companies	16
Other	17
Total	210

Employment

Foreign-owned companies that have their U.S. headquarters located in Illinois provide a significant number of jobs within the State. According to estimates by the U.S. Department of Commerce, affiliates of foreign-owned companies employ more than 200,000 in Illinois. This section examines:

- Employment by type of operation and area,
- Employment by region and country
- Employment of foreign nationals, and
- Nationality of senior management.

Employment by Type of Operation and Area

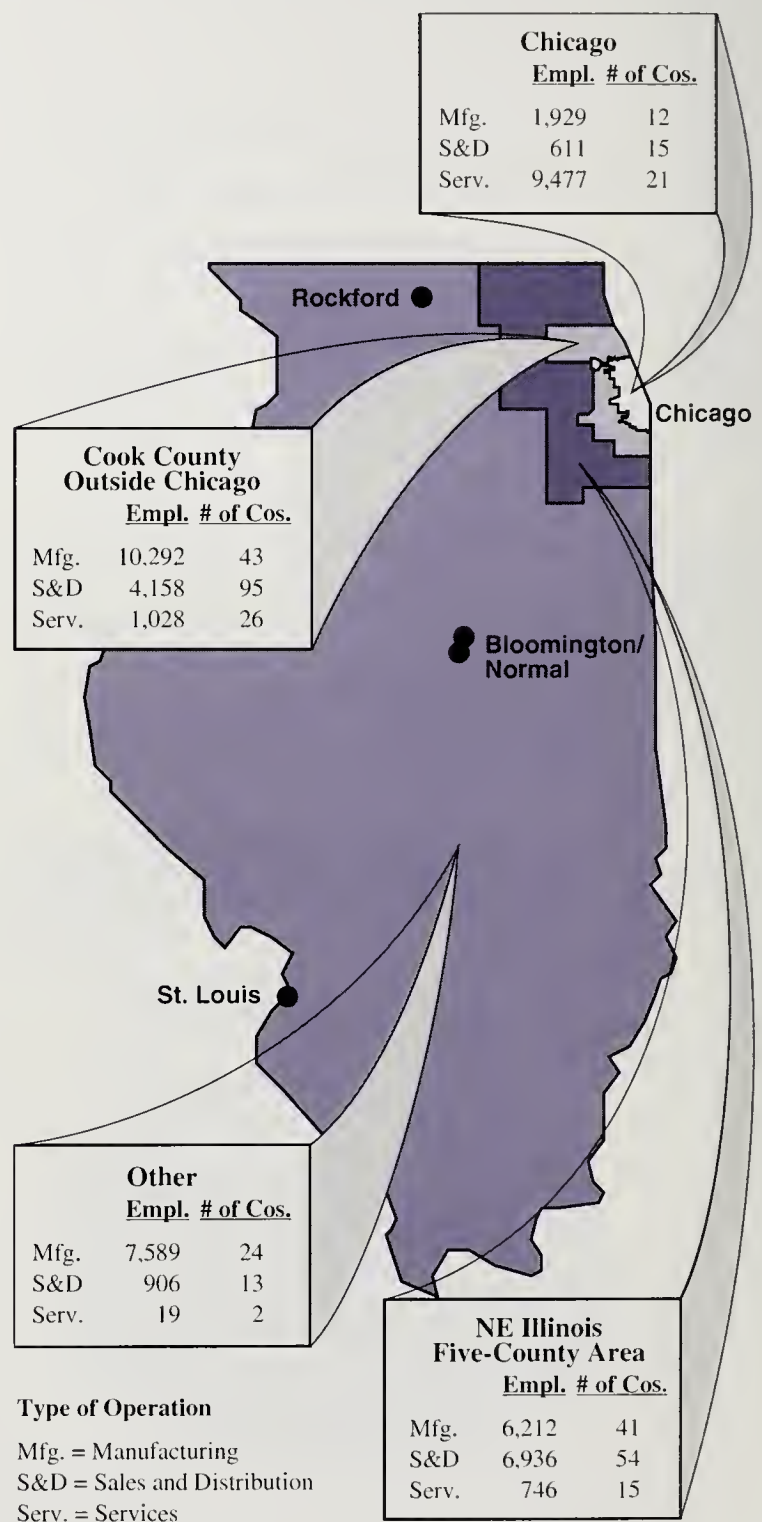
Illinois has a well-diversified economy with significant portions of non-agricultural employment in financial services, insurance, real estate, and other services (33%), wholesale and retail trade (24%), manufacturing (18%), government (14%), and other (11%).

Although manufacturing operations can be found throughout the State, most of the manufacturing jobs are located in the suburban Chicago and Northeast Illinois five-county area. Sales and distribution employment, like manufacturing, is concentrated in the Chicago suburbs and throughout the five-county area, while service firm employment is predominant within the City of Chicago. Outside the greater Chicago area, almost 90% of the employment is in manufacturing.

Employment by Region and Country

There are more sales and distribution companies in the study than any other type; however, manufacturing companies employ more than 50% of the study workforce. While Japanese companies employ just over one quarter of all employees in the study, U.K. firms employ almost as many (24%), followed by German firms (more than 14%).

Figure 14
Operation and Employment Distribution by Area



The average U.K. firm employs 260 workers while the average Japanese firm employs just under 100. None of the participating companies employ more than 5,000 people in Illinois.

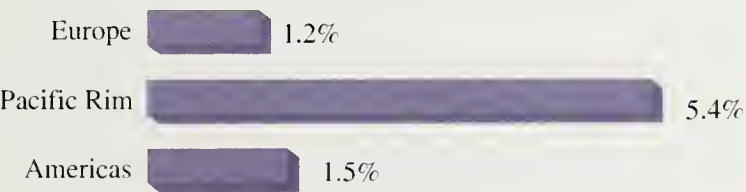
Figure 15
Significant Employers by Region and Country of Origin

	Total Illinois Employment
Europe	30,417
Belgium	2,228
Germany	7,208
The Netherlands	3,706
Sweden	1,037
Switzerland	2,499
United Kingdom	11,728
Other	2,011
Pacific Rim	13,271
Japan	12,740
Other	531
Americas	6,215
Canada	5,965
Other	250
Total Employment	49,903

Employment of Foreign Nationals

Although parent companies based in certain countries often assign more foreign nationals to U.S. headquarters than others, 97% of the workforce studied is American. Thus, these companies create a considerable number of jobs for Americans. It should be noted that Pacific Rim companies employ a greater number of foreign nationals than those companies from either Europe or the Americas.

Figure 16
Foreign National Employment in Illinois by Region (Percent of Total Employment among Participating Companies)



Nationality of Senior Management

More than half (54%) of the participants say that their senior executive is a foreign national. The three countries that utilize their foreign nationals as senior executives most often are Japan (87%), Switzerland (52%), and the United Kingdom (45%).

Performance

More than half of the 1992 *Illinois Inbound Investment Study* participants report performance met or exceeded expectations. This is significant because 35% have been established since 1985 and many are still in the developmental stage of operation. To measure the level of profitability and define the reasons behind the performance of the companies, we looked at:

- Sales,
- Profitability, and
- Time required to become profitable

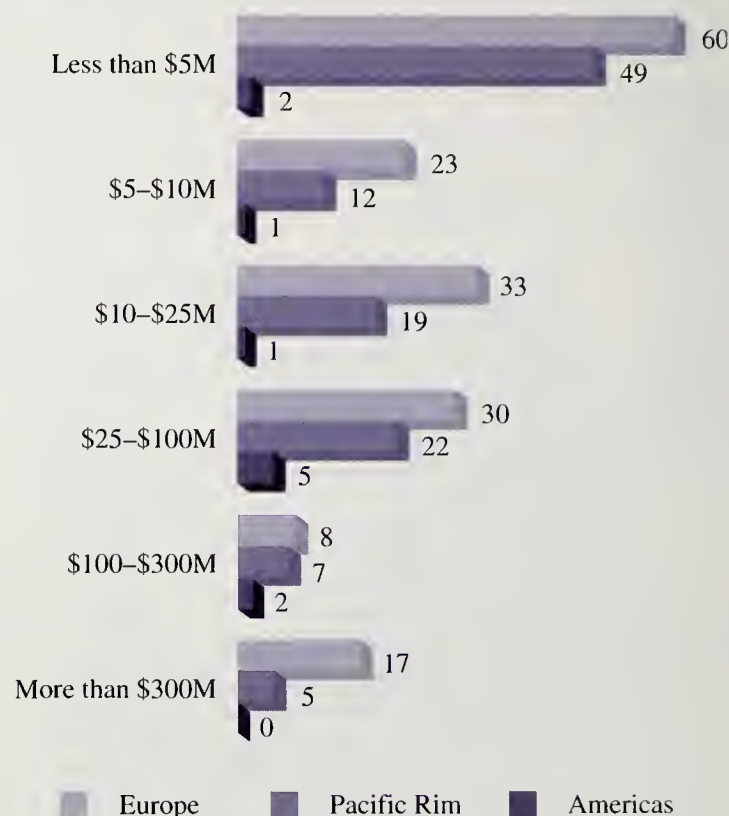
Sales

Of the respondents, 82% estimate combined sales of more than \$23 billion for the most recent fiscal year. Of those, 38% have annual sales of less than \$5 million, 49% report sales between \$5 million and \$100 million, and 13% note sales in excess of \$100 million.

The study group reported that the current economic climate is the leading external factor affecting financial performance. Control of operating costs is the leading internal factor.

The majority of respondents predict minimal sales growth or a decline in revenues in 1992, reflecting expectations of a flat national and local economy. In fact, 69% of the respondents indicate that they expect growth rates of 10% or less and some predict a decline in the near future.

Figure 17
Sales Range by Region

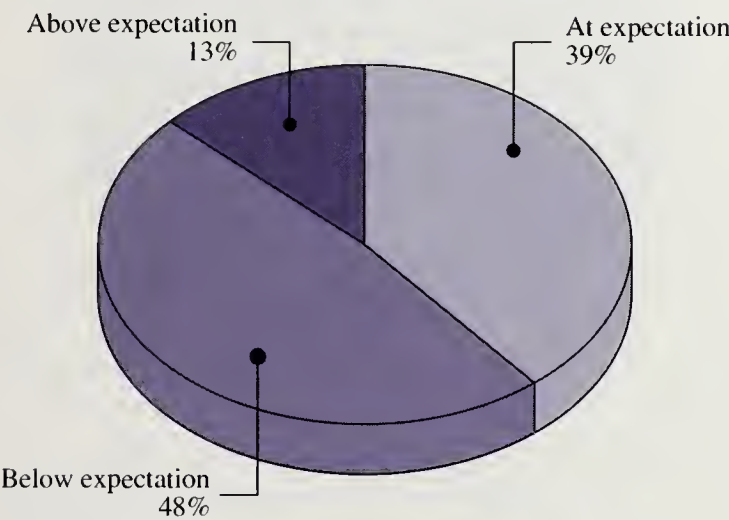


Profitability

Study participants were asked whether or not their companies were profitable in their last fiscal year. Of the 255 companies responding to the question, nearly 70% indicate that they were profitable.

A related question concerns how company profitability levels met management’s expectations at the beginning of that year. More than half (52%) of the respondents say that performance expectations were either met or surpassed.

Figure 18
Performance



Time Required to Become Profitable

The study also attempts to define the time period required for U.S. operations to become profitable.

Among those companies established in Illinois as start-ups and/or joint ventures, 30% of the respondents indicate that they were profitable within the first two years of operation. More than 50% became profitable after more than two years, and 15% report that, in their case, it is too soon to judge.

Figure 19
Time Required to Become Profitable*

	Headquarters
First year	15%
Second year	15%
Third year	21%
Fourth year	8%
Fifth year	8%
More than five years	18%
Too soon to judge	15%
Total	100%

* Responses from start-up and joint venture companies.

Trade Activity

International sales is an important factor in the global economy. The decline of the U.S. dollar vis a vis major currencies has encouraged exports and has made imports more expensive. This section addresses:

- Companies importing and exporting.
- Value of products exported, and
- Types of goods imported.

Companies Importing and Exporting

Study participants were asked if their companies are active in either importing or exporting goods and services. Some study participants both export and import. For example, Germany, Japan, and the United Kingdom account for 65% of the companies that export, and 62% that import.

Of the total participants, 79% are involved in importing and 52% in exporting. Since foreign-owned companies are often established in the United States to tap the large customer base, it is not surprising that more of our study participants are involved in importing than exporting.

Value of Products Exported

According to the companies who export, \$1.6 billion of their total sales is derived from exports. Japan ranks first with \$863 million, followed by the United Kingdom with exports of \$358 million, and Germany with \$112 million.

Types of Goods Imported

Participants were asked if they import raw materials, component parts, or finished goods. A total of 288 companies import at least one of these products.

Figure 20
Exported or Imported Goods and Services

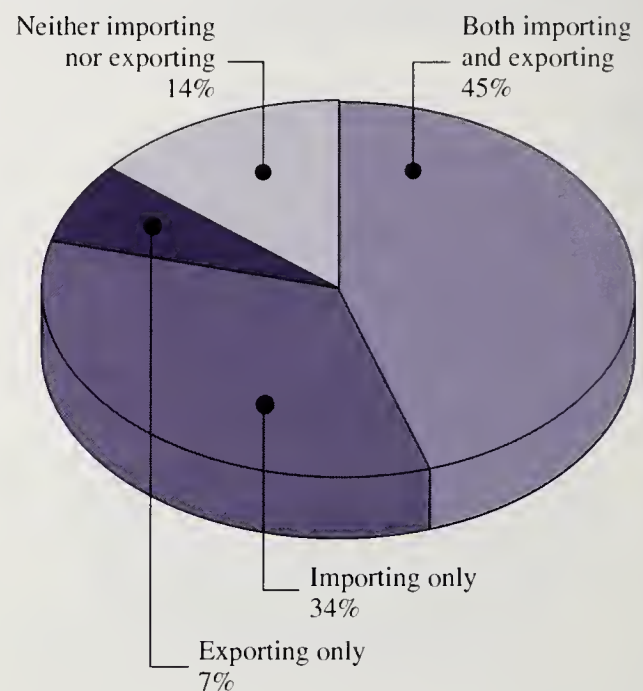
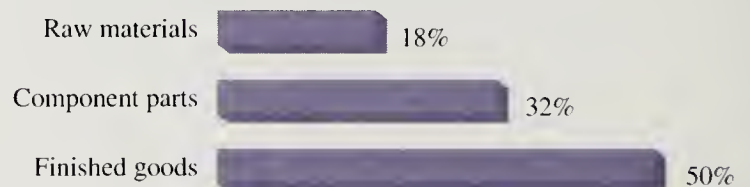


Figure 21
Categories of Imported Products



Expansion

Study participants were asked to identify notable expansion plans for Illinois-based operations in their upcoming year. This section of the *1992 Illinois Inbound Investment Study* reports on:

- Plans to increase space, employees, and product lines
- U.S. acquisitions, and
- Estimated capital investments.

Plans to Increase Space, Employees, and Product Lines

Many of the foreign-owned companies were established in order to achieve specific objectives for growth in sales and market penetration, physical facilities and equipment, and employment. At least 45% of the participants say they anticipate some expansion. Respondents reveal:

- 10% plan to add space or move to larger space,
- 28% anticipate an increase in the number of employees, and
- 26% plan to either add a new product line or make some significant step to expand into new markets.

Companies from Germany, Japan, and the United Kingdom account for more than half the companies with expansion plans.

U.S. Acquisitions

Illinois' foreign-owned companies are actively involved in acquiring businesses in the United States. Of the 361 study participants, 70 currently have acquisition interests in other U.S. companies. While local management influences decisions, the foreign parent company normally has ultimate responsibility for U.S. acquisition decisions.

Management was asked to identify the objectives that an acquisition in the United States would achieve for their company. Respondents identify the following principal objectives:

- Expand distribution/geographic coverage of markets,
- Increase growth in revenues,
- Diversify product or industry focus,
- Gain market share,
- Expand manufacturing capability, and
- Improve technology.

Expanding market coverage is the dominant reason for pursuing acquisitions, followed by increasing revenues. Together these reasons account for nearly half of all responses.

Figure 22
Number of Headquarters with Acquisition Interest by Region and Country

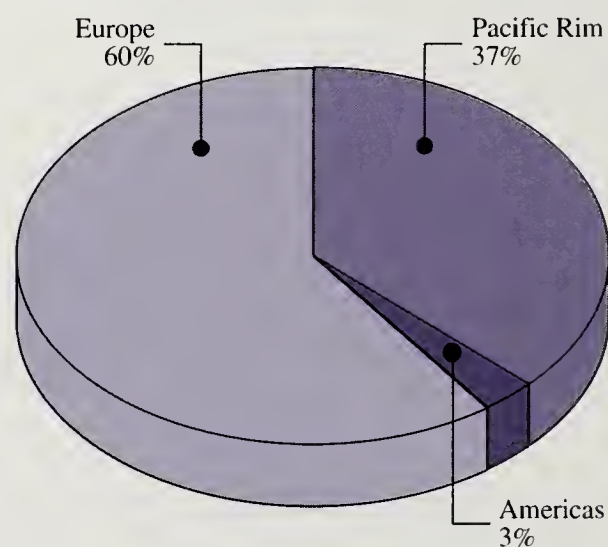
	Total	Percent
Europe	51	72%
Belgium	3	4%
Denmark	3	4%
Germany	9	13%
Switzerland	7	10%
France	4	6%
Sweden	5	7%
United Kingdom	12	17%
Other	8	11%
Pacific Rim	13	19%
Japan	11	16%
Other	2	3%
Americas	6	9%
Total	70	100%

Estimated Capital Investments

When asked about their investment plans, 130 participants indicate they intend to make investments in property, plant, and equipment during the current fiscal year for an estimated total new investment of more than \$293 million. These expenditures include the expansion of existing facilities, the purchase of new equipment, maintenance or replacement of existing facilities or equipment, and the purchase and development of real estate.

Capital investment estimates are conservative, as several of the study participants with plans for capital investment were unable to assign dollar amounts at the time of the interview.

Figure 23
Estimated New Capital by Region



Issues

One benefit of the KPMG study is to identify management concerns within foreign-owned headquarter companies in Illinois. Participants were asked to identify key issues that should be addressed by business and government leaders. These issues were mentioned because they cause difficulties for managers or pose problems that are not anticipated prior to establishing the U.S. operation.

Of the 361 participating headquarters, 294 commented on at least one national, local, or personal issue. The top five national issues—approximately 60% of the total replies—relate to the economy and Federal government policy and

legislation affecting business, including the value of the dollar, taxes, interest rates, product liability, and government regulations.

Local issues reveal and confirm some of the State's major challenges. At the top are education of employees and labor quality as well as the state and local tax system.

The top two personal concerns cited are language/communication and availability, cost, and coverage of insurance.

Figure 24

Top National, Local, and Personal Concerns by Region

Concerns	Europe	Pacific Rim	Americas
National			
U.S. economy/interest rates	21%	20%	19%
Exchange rates	14%	17%	8%
Federal tax system	9%	8%	4%
Product liability	9%	8%	12%
Government regulations	8%	6%	27%
Other concerns	39%	41%	30%
Total	100%	100%	100%
Local			
Labor quality	20%	31%	13%
State/local tax system	20%	14%	13%
Education of employees	11%	19%	20%
Labor availability	12%	11%	13%
U.S. culture	8%	9%	0%
Other concerns	29%	16%	41%
Total	100%	100%	100%
Personal			
Language/communication	7%	34%	0%
Insurance	26%	14%	33%
Education of family members	13%	16%	0%
Personal and family adjustment	9%	13%	0%
Cultural identity and tradition	9%	11%	0%
Other concerns	36%	12%	67%
Total	100%	100%	100%

Illinois and KPMG:

Understanding International Business Needs

In the heart of the American Midwest, Illinois is among the most aggressive states in promoting trade and investments with countries around the world. In fact, Illinois ranks as the fourth most popular state in the country in attracting foreign investment. The State is headquarters to 49 of the Fortune 500 companies, 1,600 businesses with foreign affiliates, 70 foreign banks, 60 consulates, and a well-developed infrastructure of international accounting, legal, insurance, and marketing expertise. With an enviable combination of assets for business, Illinois boasts capital markets, a diverse economic base, outstanding transportation systems, natural resources, skilled workers, and a commitment to educational and technological development. As testimony to the State's reputation, it is recognized as one of the top four technology employers in the United States and as a major center for electronics, medical technology, telecommunications, and computer software development.

KPMG values and understands the Illinois marketplace with offices in five Illinois cities. The Firm's Chicago office, established in 1904, is considered a flagship and is the second largest of the Firm's U.S. operations.

As a unique international organization, KPMG provides professional services to clients of every market segment who benefit from the Firm's global coverage, thorough understanding of national and international business cultures, and highly developed capabilities in carrying out complex international assignments. A broad range of audit, tax, and management consulting services are offered through a network of more than 800 offices in 125 countries around the world.

Throughout the United States, more than 20 studies have been conducted recently of inbound investment in various geographic areas. We are proud to present this important study about the nature and impact of inbound investment in Illinois.

For more information about KPMG's services for international business, or regarding the *1992 Illinois Inbound Investment Survey*, please contact:

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International companies seeking to establish business operations in Illinois can contact the local Illinois trade office in their country or their local KPMG office.

To learn more about investment opportunities in Illinois, please contact the office in your area:

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